

## Message Text

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63

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DRAFTED BY EUR/EE:DNMILLER

APPROVED BY EUR/EE:NGANDREWS

H:RFLATEN

L/EB:SBOND

EB/OMA:RRYAN

TREAS:MR. GOODMAN

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R 292222Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

C O N F I D E N T I A L STATE 099936

LIMDIS

E.O. 11652: GDS

TAGS: EFIN,HU

SUBJECT: FINANCIAL ISSUES:U.S. VISIT OF AKAR

REF: BUDAPEST 934

1. SUMMARY. MR AKAR OF GOH MINFIN VISITED U.S. WEEK OF APRIL 7 AND 14. PURPOSE OF TRIP WAS CONCLUSION WITH BOND-HOLDERS COUNCIL OF FINAL SETTLEMENTS OF HUNGARIAN BONDS FLOATED ON U.S. CAPITAL MARKETS. AKAR WAS ALSO INVITED HERE FROM NEW YORK FOR AN EXCHANGE OF VIEWS ON GOH WISH TO SETTLE WWI COMMODITY DEBT TO U.S. END SUMMARY.

2. AKAR INFORMED BONDHOLDERS COUNCIL OF HIS DESIRE TO SIGN AS SOON AS POSSIBLE THE FINAL SETTLEMENTS OF HUNGARIAN STATE , MUNICIPAL AND CORPORATE BONDS FLOATED ON U.S. CAMITALE MARKETS. BONDHOLDERS HAD SAME INTENTION, BUT LAST MINUTE  
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HITCH DEVELOPED WHEN LAWYERS FOR THE FISCAL AGENT (FNCB) RAISED A LEGAL TECHNICALITY REGARDING SETTLEMENTS. THE CONCERN WAS THAT THE MANNER OF SETTLEMENT, PARTICULARLY THE SETTLEMENT OF CORPORATE BONDS, REQUIRED SEC ACTION IN ORDER

TO ASSURE THAT NEWLY-STAMPED BONDS COULD NOT BE REGARDED

AS A NEW OBLIGATION. WHILE THIS IS NOT YET RESOLVED, WE ARE CONFIDENT IT WILL BE. AKAR ADVISED THAT HE WOULD WORK FOR GOH APPROVAL OF FINAL SETTLEMENT ON RETURN TO BUDAPEST, AND AWAIT WORD FROM BONDHOLDERS.

3. AKAR MET APRIL 16 IN WASHINGTON WITH REPRESENTATIVES FROM STATE AND TREASURY. HE HAD BEEN INVITED HERE TO EXCHANGE VIEWS ON WWI COMMODITY DEBT. AFTER OPENING THE SESSION BY EXPRESSING PERSONAL DISAPPOINTMENT WITH NEW BOND SETTLEMENT WRINKLE, AKAR SAID HE STILL WANTS TO MAKE FIRST PAYMENTS BY JULY 1. HE ALSO NOTED THAT HE WILL NEGOTIATE MAY 12 IN BUDAPEST WITH MR. WHITTING ON KREUTHALL BONDS.

4. AKAR DESCRIBED WWI DEBT AS ARISING FROM HUMANITARIAN GESTURE OF PROVIDING FLOUR TO HUNGRY PEOPLE, MOST OF WHOM "NOW HAVE DIED OF OLD AGE." HE SAID IT WAS "VERY DIFFICULT TO DECIDE" WHETHER FLOUR DEBT WAS COVERED IN CLAIMS AGREEMENT BUT THAT GOH WAS PREPARED TO SETTLE DEBT OUTSIDE OF CLAIMS AGREEMENT. WE AGREED NOT TO RELATE THIS DEBT TO THE CLAIMS AGREEMENT. AKAR THEN SPOKE CANDIDLY OF GOH DESIRE TO END APPLICATION OF JOHNSON ACT BY SETTLING DEBT AND ASKED FOR A WRITTEN STATEMENT THAT JOHNSON ACT WOULD CEASE TO APPLY AFTER A SETTLEMENT OF THE WWI DEBT.

5. IT WAS UNDERSTOOD THAT A DISCUSSION BETWEEN THE TWO GOVERNMENTS WOULD BE NECESSARY TO SETTLE THE DEBT. WE INFORMED AKAR THAT AT A MINIMUM CONSULTATIONS WITH CONGRESS WERE REQUIRED BEFORE WE COULD ACT. AKAR MENTIONED THAT A PERCENTAGE RATE FOR THE SETTLEMENT SHOULD BE RELATED TO TWO PRECEDENTS: THE BILATERAL CLAIMS AND BOND SETTLEMENTS.

6. THE MEETING CLOSED WITH THE UNDERSTANDING THAT WE WOULD EXPLORE A WRITTEN JOHNSON ACT ASSURANCE. ON APRIL  
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18, AKAR WAS INFORMED THAT WE COULD GIVE SUCH AN ASSURANCE IF WE DETERMINED THAT GOH WAS CURRENT ON ITS OTHER U.S. DEBT PAYMENTS, INCLUDING THE 1946 OVERSEAS SURPLUS SALES DEBT. (FYI: LAST AVAILABLE RECORD SHOWS HUNGARY SOMEWHAT DELINQUENT IN 1946 DEBT, AND CURRENT ON CCC AND CLAIMS AGREEMENT PAYMENTS.) KISSINGER

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<< END OF DOCUMENT >>

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**Review Media Identifier:**  
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